

History and political science

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Task: Article, History and Political Science According to Janet Yellen, the chair of the Federal Reserve, some economic data collected recently has pointed that job growth and consumer spending will have gains that are weaker than expected. She noted that the Federal Reserve will be on the look out to determine whether this slowdown is a temporally blip that is caused by winter weather. She confirmed that the Federal Reserve has soft data for over the last six weeks and is alert on the upcoming data that will help ascertain the effect of the severe winter weather. She cited housing, job growth, industrial production and retail sales.

These comments are encouraging as they offer investors a hint that the Federal Reserve might suspend or slow a pullback in economic stimulus in the event that the US economy weakened. Yellen assures that this pullback is 'not on a present course' and could only be modified if the Fed's outlook has a significant change. The Fed is progressively cutting its monthly bond purchases with the intention of keeping long-term loans low rates so as to boost spending and growth.

When she appeared in both her Senate and House, she emphasised policy continuity with Ben Bernanke, her predecessor who stepped down after leading the central bank for eight years. Just like Bernanke, she believes that the economy is getting stronger enough for the Fed to gradually reduce its purchase of monthly bonds. The cut in bond purchases had reduced from the original monthly pace of \$85 billion in December 2013 to currently \$ 65 billion. The intention is to cut the purchases by \$10 billion.

The Federal Reserve plans to keep short term rates low or near zero in the coming times for an extended period with economists speculating that the first hike in rate will occur probably in 2015 even though some policymakers

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feel that it may be appropriate to raise short-term rates sooner.

Even though the inflation remains below 2 percent, many of the Fed officials including Yellen say that the economy needs support from the Reserve until the job market as well as the economic growth improves.